

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of )  
MidAmerican Energy Holdings )  
Company And PacifiCorp dba Utah ) DOCKET NO. 05-035-54  
Power & Light Company for an ) REPORT AND ORDER  
Order Authorizing Proposed )  
Transaction )  
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ISSUED: June 5, 2006

SHORT TITLE

**Acquisition of PacifiCorp by MidAmerican Energy Holdings Company**

SYNOPSIS

The Commission approves the Second Amendment to Stipulation by parties supporting the acquisition of PacifiCorp from ScottishPower by MidAmerican Energy Holdings Company.

**TABLE OF CONTENTS**

<b>I. PROCEDURAL HISTORY .....</b>	<b>3</b>
<b>II. SECOND AMENDMENT TO STIPULATION .....</b>	<b>4</b>
<b>III. DISCUSSION AND FINDINGS .....</b>	<b>5</b>
<b>IV. CONCLUSIONS OF LAW .....</b>	<b>5</b>
<b>V. ORDER .....</b>	<b>6</b>
<b>APPENDIX: COMPILATION OF COMMITMENTS .....</b>	<b>8</b>

## **I. PROCEDURAL HISTORY**

On July 15, 2005, MidAmerican Energy Holdings Company (“MEHC”) and PacifiCorp (jointly referred to as “Applicants”) filed an application requesting an order of the Public Service Commission of Utah (“Commission”) authorizing a proposed transaction whereby MEHC would acquire all of the common stock of PacifiCorp.

On November 18, 2005, a Stipulation dated November 15, 2005 was filed with the Commission, along with a motion requesting approval of the Stipulation. Parties to the Stipulation include MEHC, PacifiCorp, the Division of Public Utilities (“Division”), the Committee of Consumer Services (“Committee”), UIEC, the UAE Intervention Group, Utah Clean Energy and Western Resource Advocates. The Stipulation contains 50 general commitments and 28 Utah-specific commitments, including commitment U 27. Commitment U 27 requires the Applicants to include as a commitment in the Wyoming transaction docket any “procedural limitation clause”, as defined in Commitment U 27, agreed to in a settlement of the federal district court case identified in Commitment U 27.

On January 27, 2006, the Commission issued its order approving the Stipulation and granting the July 15, 2005 application. Paragraph 10 of the Stipulation provides a process to allow parties to this docket to adopt commitments or conditions to which MEHC and PacifiCorp agree, or with which they are required to comply, in other jurisdictions.

Pursuant to Paragraph 10 of the Stipulation, MEHC, PacifiCorp the Division, the Committee, UIEC, the UAE Intervention Group, Utah Clean Energy, and Western Resource Advocates reached agreement on an Amendment to Stipulation which incorporates the

commitments and conditions from other state jurisdictions that should be adopted in Utah. That Amendment to Stipulation was filed with the Commission on March 3, 2006. The Amendment to Stipulation incorporates commitment U 43 which is, except for the non-substantive changes required to make it applicable to Utah, identical to Wyoming Commitment W6. Wyoming Commitment W6 includes, pursuant to Utah Commitment U 27, the “procedural limitation clause” language agreed to in Wyoming.

On March 14, 2006, the Commission issued its order approving the Amendment to Stipulation. In its order, the Commission directed the Applicants to file a compilation of the terms and commitments approved by the Commission in this docket.

Pursuant to the Commission’s order, on April 20, 2006, PacifiCorp filed a compilation (“Compilation”) of the terms and commitments approved by the Commission, together with a Second Amendment to Stipulation and a motion for approval of the Second Amendment to Stipulation.

## **II. SECOND AMENDMENT TO STIPULATION**

The Second Amendment to Stipulation was executed by the Applicants, the Division, the Committee, UIEC, the UAE Intervention Group, Utah Clean Energy and Western Resource Advocates (the “Signatories”). The Second Amendment to Stipulation amends the Stipulation to remove commitment U 27. In the Second Amendment and motion for approval of the Second Amendment, the Signatories state that in the course of preparing the Compilation they recognized that, despite the approval of Commitment U 43 by the Commission, the provisions of Commitment U 27 have not been removed from the terms and commitments agreed to and

adopted in Utah. In order to correct that mistake, the Signatories executed the Second Amendment to Stipulation which reflects their agreement that the provisions of U 27 should be removed from the terms and commitments agreed to and adopted in Utah.

### **III. DISCUSSION AND FINDINGS**

We find that commitment U 27 should be removed from the terms and commitments agreed to and adopted in Utah. We also find that the Compilation accurately reflects the commitments and conditions agreed to by the signatories to the Stipulation, Amendment to Stipulation and Second Amendment to Stipulation and approved by the Commission in this docket.

### **IV. CONCLUSIONS OF LAW**

Based upon the foregoing Discussion and Findings, the Commissions makes the following conclusions of law.

1. PacifiCorp, doing business in Utah as Utah Power and Light Company, is an electrical corporation as defined in Utah Code Ann. § 54-2-1(7) and a public utility as defined in Utah Code Ann. § 54-2-1(15). The Commission has authority to regulate PacifiCorp in the State of Utah and to supervise all of the public utility business of PacifiCorp in the State of Utah pursuant to Utah Code Ann. § 54-4-1.

2. The Commission concludes that the Amendment to Stipulation executed by PacifiCorp, MEHC and the various signatory parties is just and reasonable and should be approved.

**V. ORDER**

Wherefore, pursuant to our discussion, findings and conclusions made herein, we order:

1. The Second Amendment to Stipulation filed with the Commission on April 20, 2006 is adopted by the Commission and incorporated by reference in this Order.

2. The Compilation filed with the Commission on April 20, 2006 is adopted by the Commission as the compilation of the commitments and conditions agreed to by the signatories to the Stipulation, Amendment to Stipulation and Second Amendment to Stipulation and approved by the Commission in this docket.

This Report and Order constitutes final agency action in this docket. Pursuant to Utah Code Ann. §§ 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DOCKET NO. 05-035-54

-7-

DATED at Salt Lake City, Utah, this 5<sup>th</sup> day of June, 2006.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary  
G#49228

**-APPENDIX: COMPILATION OF COMMITMENTS-**

**MEHC Acquisition of PacifiCorp  
Utah Docket No. 05-035-54**

**Consolidated List of Amended and Additional Commitments from Most-Favored States Process**

**Extension of Existing Commitments – (reference Gale’s Exhibit UP&L (BEG-1))**

- 1) MEHC and PacifiCorp affirm the continuation (through March 31, 2008) of the existing customer service guarantees and performance standards in each jurisdiction. MEHC and PacifiCorp will not propose modifications to the guarantees and standards prior to March 31, 2008. Refer to Commitment 45 for the extension of this commitment through 2011.
- 2) Penalties for noncompliance with performance standards and customer guarantees shall be paid as designated by the Commission and shall be excluded from results of operations. PacifiCorp will abide by the Commission’s decision regarding payments.
- 3) PacifiCorp will maintain its own accounting system, separate from MEHC’s accounting system. All PacifiCorp financial books and records will be kept in Portland, Oregon. PacifiCorp’s financial books and records and state and federal utility regulatory filings and documents will continue to be available to the Commission, upon request, at PacifiCorp’s offices in Portland, Oregon, Salt Lake City, Utah, and elsewhere in accordance with current practice.
- 4) MEHC and PacifiCorp will provide the Commission access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between PacifiCorp and its affiliated interests or which are otherwise relevant to the business of PacifiCorp. This commitment is also applicable to the books and records of Berkshire Hathaway, which shall retain its books and records relevant to the business of PacifiCorp consistent with the manner and time periods of the Federal Energy Regulatory Commission’s record retention requirements that are applicable to PacifiCorp’s books and records.
- 5) MEHC, PacifiCorp and all affiliates will make their employees, officers, directors, and agents available to testify before the Commission to provide information relevant to matters within the jurisdiction of the Commission.
- 6) The Commission or its agents may audit the accounting records of MEHC and its subsidiaries



that are the bases for charges to PacifiCorp, to determine the reasonableness of the costs and allocation factors used by MEHC to assign costs to PacifiCorp and amounts subject to allocation or direct charges. MEHC agrees to cooperate fully with such Commission audits.

- 7) MEHC and PacifiCorp will comply with all applicable Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports.
- 8) PacifiCorp will file on an annual basis an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate and transactions with each affiliate.
- 9) PacifiCorp and MEHC will not cross-subsidize between the regulated and non-regulated businesses or between any regulated businesses, and shall comply with the Commission's applicable orders and rules with respect to such matters.
- 10) Due to PUHCA repeal, neither Berkshire Hathaway nor MEHC will be registered public utility holding companies under PUHCA. Thus, no waiver by Berkshire Hathaway or MEHC of any defenses to which they may be entitled under *Ohio Power Co. v. FERC*, 954 F.2d 779 (D.C. Cir.), *cert. denied sub nom. Arcadia v. Ohio Power Co.*, 506 U.S. 981 (1992) ("*Ohio Power*"), is necessary to maintain the Commission's regulation of MEHC and PacifiCorp. However, while PUHCA is in effect, Berkshire Hathaway and MEHC waive such defenses.
- 11) a) Any diversified holdings and investments (e.g., non-utility business or foreign utilities) of MEHC following approval of the transaction will not be held by PacifiCorp or a subsidiary of PacifiCorp. Ring-fencing provisions (i.e., measures providing for separate financial and accounting treatment) will be provided for PacifiCorp and its subsidiaries including, but not limited to, provisions protecting PacifiCorp and its subsidiaries from the liabilities or financial distress of MEHC and its affiliates. This condition will not prohibit MEHC or its affiliates other than PacifiCorp from holding diversified businesses.  
  
b) [Intentionally left blank.]  
  
c) PacifiCorp will notify the Commission of any changes in the ring-fencing provisions within 30 days. Such notice shall include verification that (i) the change has been approved by the independent director of PacifiCorp's parent company, and (ii) the rating agencies have confirmed that there will be no credit downgrade from the changed ring-fencing protections.
- 12) PacifiCorp or MEHC will notify the Commission in writing subsequent to MEHC's board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of

MEHC; or (2) the change in effective control or acquisition of any material part or all of PacifiCorp by any other firm, whether by merger, combination, transfer of stock or assets.

- 13) The Intercompany Administrative Services Agreement (IASA) will include the corporate and affiliate cost allocation methodologies. The IASA will be filed with the Commission as soon as practicable after the closing of the transaction. Approval of the IASA will be requested if required by law or rule, but approval for ratemaking purposes will not be requested in such filing. Refer to Commitment 14 (f). Amendments to the IASA will also be filed with the Commission.
- 14) Any proposed cost allocation methodology for the allocation of corporate and affiliate investments, expenses, and overheads, required by law or rule to be submitted to the Commission for approval, will comply with the following principles:
  - a) For services rendered to PacifiCorp or each cost category subject to allocation to PacifiCorp by MEHC or any of its affiliates, MEHC must be able to demonstrate that such service or cost category is necessary to PacifiCorp for the performance of its regulated operations, is not duplicative of services already being performed within PacifiCorp, and is reasonable and prudent.
  - b) Cost allocations to PacifiCorp and its subsidiaries will be based on generally accepted accounting standards; that is, in general, direct costs will be charged to specific subsidiaries whenever possible and shared or indirect costs will be allocated based upon the primary cost-driving factors.
  - c) MEHC and its subsidiaries will have in place positive time reporting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to PacifiCorp.
  - d) An audit trail will be maintained such that all costs subject to allocation can be specifically identified, particularly with respect to their origin. In addition, the audit trail must be adequately supported. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
  - e) Costs which would have been denied recovery in rates had they been incurred by PacifiCorp regulated operations will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries in the MEHC group.
  - f) Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval if required by law or rule.
- 15) MEHC and PacifiCorp commit that PacifiCorp will maintain separate debt and preferred stock, if any. PacifiCorp will maintain its own corporate credit rating, as well as ratings for long-term debt and preferred stock, from Moody's and S&P or their successor agencies.
- 16) MEHC and PacifiCorp will exclude all costs of the transaction from PacifiCorp's utility accounts. Within 90 days following completion of the transaction, MEHC will provide a

preliminary accounting of these costs. Further, MEHC will provide the Commission with a final accounting of these costs within 30 days of the accounting close.

- 17) MEHC and PacifiCorp will provide the Commission with unrestricted access to all written information provided by and to credit rating agencies that pertains to PacifiCorp or MEHC. Berkshire Hathaway and MEHC will also provide the Commission with unrestricted access to all written information provided by and to credit rating agencies that pertains to MEHC's subsidiaries to the extent such information may potentially impact PacifiCorp.
- 18) PacifiCorp will not make any distribution to PPW Holdings LLC or MEHC that will reduce PacifiCorp's common equity capital below 40 percent of its total capital without Commission approval. PacifiCorp will notify the Commission if for any reason its common equity capital is reduced to below 44 percent of its total capital for a period longer than three consecutive months. PacifiCorp's total capital is defined as common equity, preferred equity and long-term debt. Long-term debt is defined as debt with a term of one year or more. The Commission and PacifiCorp may reexamine these minimum common equity percentages as financial conditions or accounting standards change, and PacifiCorp may request adjustments.
- 19) The capital requirements of PacifiCorp, as determined to be necessary to meet its obligation to serve the public, will be given a high priority by the Board of Directors of MEHC and PacifiCorp.
- 20) Neither PacifiCorp nor its subsidiaries will, without the approval of the Commission, make loans or transfer funds (other than dividends and payments pursuant to the Intercompany Administrative Services Agreement) to MEHC or its affiliates, or assume any obligation or liability as guarantor, endorser, surety or otherwise for MEHC or its affiliates; provided that this condition will not prevent PacifiCorp from assuming any obligation or liability on behalf of a subsidiary of PacifiCorp. MEHC will not pledge any of the assets of the business of PacifiCorp as backing for any securities which MEHC or its affiliates (but excluding PacifiCorp and its subsidiaries) may issue.
- 21) MEHC and PacifiCorp, in future Commission proceedings, will not seek a higher cost of capital than that which PacifiCorp would have sought if the transaction had not occurred. Specifically, no capital financing costs should increase by virtue of the fact that PacifiCorp was acquired by MEHC.
- 22) MEHC and PacifiCorp guarantee that the customers of PacifiCorp will be held harmless if the transaction between MEHC and PacifiCorp results in a higher revenue requirement for PacifiCorp than if the transaction had not occurred; provided, however, that MEHC and PacifiCorp do not intend that this commitment be interpreted to prevent PacifiCorp from

recovering prudently incurred costs approved for inclusion in revenue requirement by the Commission.

- 23) PacifiCorp will continue a Blue Sky tariff offering in all states. PacifiCorp will continue to support this offering through innovative marketing, by modifying the tariff to reflect the developing green power market and by monitoring national certification standards.
- 24) PacifiCorp will continue its commitment to gather outside input on environmental matters, such as through the Environmental Forum.
- 25) PacifiCorp will continue to have environmental management systems in place that are self-certified to ISO 14001 standards at all PacifiCorp operated thermal generation plants.
- 26) MEHC will maintain at least the existing level of PacifiCorp's community-related contributions, both in terms of monetary and in-kind contributions. The distribution of PacifiCorp's community-related contributions among the states will be done in a manner that is fair and equitable to each state.
- 27) MEHC will continue to consult with regional advisory boards to ensure local perspectives are heard regarding community issues.
- 28) MEHC will honor PacifiCorp's existing labor contracts.
- 29) After the closing of the transaction, MEHC and PacifiCorp will make no unilateral changes to employee benefit plans prior to May 23, 2007 that would result in the reduction of employee benefits.
- 30) PacifiCorp will continue to produce Integrated Resource Plans according to the then current schedule and the then current Commission rules and orders.
- 31) When acquiring new generation resources in excess of 100 MW and with a dependable life of 10 or more years, PacifiCorp and MEHC will issue Requests for Proposals (RFPs) or otherwise comply with state laws, regulations and orders that pertain to procurement of new generation resources for PacifiCorp.
- 32) Nothing in these acquisition commitments shall be interpreted as a waiver of PacifiCorp's or MEHC's rights to request confidential treatment for information that is the subject of any commitments.
- 33) Unless another process is provided by statute, Commission regulations or approved PacifiCorp tariff, MEHC and PacifiCorp encourage the Commission to use the following process for

administering the commitments. The Commission should give MEHC and PacifiCorp written notification of any violation by either company of the commitments made in this application. If such failure is corrected within ten (10) business days for failure to file reports, or five (5) business days for other violations, the Commission should take no action. The Commission shall have the authority to determine if the corrective action has satisfied or corrected the violation. MEHC or PacifiCorp may request, for cause, an extension of these time periods. If MEHC or PacifiCorp fails to correct such violations within the specified time frames, as modified by any Commission-approved extensions, the Commission may seek to assess penalties for violation of a Commission order, against either MEHC or PacifiCorp, as allowed under state laws and regulations.

**New Commitments – (reference G. Abel’s Testimony and Exhibit UP&L (GEA-1))**

34) MEHC and PacifiCorp have identified transmission projects that MEHC and PacifiCorp believe will enhance reliability, facilitate the receipt of renewable resources, or enable further system optimization. Subject to permitting and the availability of materials, equipment and rights-of-way, MEHC and PacifiCorp commit to use their best efforts to achieve the following transmission system infrastructure improvements<sup>1</sup>:

- a) Path C Upgrade (~\$78 million) – Increase Path C capacity by 300 MW (from S.E. Idaho to Northern Utah). The target completion date for this project is 2010. MEHC and PacifiCorp assert that this project:
  - enhances reliability because it increases transfer capability between the east and west control areas,
  - facilitates the delivery of power from wind projects in Idaho, and
  - provides PacifiCorp with greater flexibility and the opportunity to consider additional options regarding planned generation capacity additions.
- b) Mona - Oquirrh (~\$196 million) – Increase the import capability from Mona into the Wasatch Front (from Wasatch Front South to Wasatch Front North). This project would enhance the ability to import power from new resources delivered at or to Mona, and to

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<sup>1</sup> While MEHC has immersed itself in the details of PacifiCorp’s business activities in the short time since the announcement of the transaction, it is possible that upon further review a particular investment might not be cost-effective, optimal for customers or able to be completed by the target date. If that should occur, MEHC pledges to propose an alternative to the Commission with a comparable benefit. The Commission may investigate the reasonableness of any determination by MEHC/PacifiCorp that one or more of the identified transmission investments is not cost-effective or optimal for customers.

import from Southern California by “wheeling” over the Adelanto DC tie. The target completion date for this project is 2011. MEHC and PacifiCorp assert that this project:

- enhances reliability by enabling the import of power from Southern California entities during emergency situations,
- facilitates the acceptance of renewable resources, and
- enhances further system optimization since it enables the further purchase or exchange of seasonal resources from parties capable of delivering to Mona.

- c) Walla Walla - Yakima or Mid-C (~\$88 million) – Establish a link between the “Walla Walla bubble” and the “Yakima bubble” and/or reinforce the link between the “Walla Walla bubble” and the Mid-Columbia (at Vantage). MEHC and PacifiCorp assert that either of these projects presents opportunities to enhance PacifiCorp’s ability to accept the output from wind generators and balance the system cost effectively in a regional environment. The target completion date for this project is 2010.

35) MEHC and PacifiCorp make the following commitments to improve system reliability:

- a) investment in the Asset Risk Program of \$75 million over the three years, 2007-2009,
- b) investment in local transmission risk projects across all states of \$69 million over eight years after the close of the transaction,
- c) O & M expense for the Accelerated Distribution Circuit Fusing Program across all states will be increased by \$1.5 million per year for five years after the close of the transaction, and
- d) extension of the O&M investment across all states for the Saving SAIDI Initiative for three additional years at an estimated cost of \$2 million per year.
- e) MEHC and PacifiCorp will support the Bonneville Power Administration in its development of short-term products such as conditional firm. No less than three months following the close of the transaction, PacifiCorp will initiate a process to collaboratively design similar short-term transmission products and will include stakeholders in this process. PacifiCorp will make every reasonable effort to complete a product by the end of 2008.
- f) PacifiCorp will continue to offer its Partial Interim Service product, and will make commercially reasonable efforts to offer transmission customers as much firm service as the Company’s transmission studies show is available, including weeks within a month. PacifiCorp will also continue its OATT tariff provision that allows transmission customers to alter pre-scheduled transactions up to 20 minutes before the hour as long as such provision is consistent with established scheduling practices and does not jeopardize system reliability. PacifiCorp will notify parties to this proceeding if it proposes changes to these two elements of its OATT.

36) Regional Transmission: MEHC recognizes that it can and should have a role in addressing the critical importance of transmission infrastructure to the states in which PacifiCorp serves.

MEHC also recognizes that some transmission projects, while highly desirable, may not be appropriate investments for PacifiCorp and its regulated customers. Therefore, MEHC shareholders commit their resources and leadership to assist PacifiCorp states in the development of transmission projects upon which the states can agree. Examples of such projects would be RMATS and the proposed Frontier transmission line.

- 37) Reduced Cost of Debt: MEHC believes that PacifiCorp's incremental cost of long-term debt will be reduced as a result of the proposed transaction, due to the association with Berkshire Hathaway. Historically, MEHC's utility subsidiaries have been able to issue long-term debt at levels below their peers with similar credit ratings. MEHC commits that over the next five years it will demonstrate that PacifiCorp's incremental long-term debt issuances will be at least a spread of ten basis points below its similarly rated peers. MEHC's demonstration will include information from a third party industry expert supporting its calculation and conclusion. If MEHC is unable to demonstrate to the Commission's satisfaction that PacifiCorp has achieved at least a ten-basis point reduction, PacifiCorp will accept up to a ten (10) basis point reduction to the yield it actually incurred on any incremental long-term debt issuances for any revenue requirement calculation effective for the five-year period subsequent to the approval of the proposed acquisition. It is projected that this benefit will yield a value roughly equal to \$6.3 million over the post-acquisition five-year period.
- 38) Corporate Overhead Charges: MEHC commits that the corporate charges to PacifiCorp from MEHC and MEC will not exceed \$9 million annually for a period of five years after the closing on the proposed transaction. (In FY2006, ScottishPower's net cross-charges to PacifiCorp are projected to be \$15 million.).
- 39) Future Generation Options: In Commitment 31, MEHC and PacifiCorp adopt a commitment to source future PacifiCorp generation resources consistent with the then current rules and regulations of each state. In addition to that commitment, for the next ten years, MEHC and PacifiCorp commit that they will submit as part of any commission approved RFPs for resources with a dependable life greater than 10 years and greater than 100 MW --including renewable energy RFPs --a 100 MW or more utility "own/operate" alternative for the particular resource. It is not the intent or objective that such alternatives be favored over other options. Rather, the option for PacifiCorp to own and operate the resource which is the subject of the RFP will enable comparison and evaluation of that option against other viable alternatives. In addition to providing regulators and interested parties with an additional viable option for assessment, it can be expected that this commitment will enhance PacifiCorp's ability to increase the proportion of cost-effective renewable energy in its generation portfolio, based upon the actual experience of MEC and the "Renewable Energy" commitment offered below.
- 40) Renewable Energy: MEHC reaffirms PacifiCorp's commitment to acquire 1400 MW of new

cost-effective renewable resources, representing approximately 7% of PacifiCorp's load. MEHC and PacifiCorp commit to work with developers and bidders to bring at least 100 MW of cost-effective wind resources in service within one year of the close of the transaction.

MEHC and PacifiCorp expect that the commitment to build the Walla-Walla and Path C transmission lines will facilitate up to 400 MW of renewable resource projects with an expected in-service date of 2008 -2010. MEHC and PacifiCorp commit to actively work with developers to identify other transmission improvements that can facilitate the delivery of cost-effective wind energy in PacifiCorp's service area.

In addition, MEHC and PacifiCorp commit to work constructively with states to implement renewable energy action plans so as to enable PacifiCorp to achieve at least 1400 MW of cost-effective renewable energy resources by 2015. Such renewable energy resources are not limited to wind energy resources.

- 41) Coal Technology: MEHC supports and affirms PacifiCorp's commitment to consider utilization of advanced coal-fuel technology such as super-critical or IGCC technology when adding coal-fueled generation.
- 42) a) MEHC and PacifiCorp commit to participate in the Environmental Protection Agency's SF<sub>6</sub> Emission Reduction Partnership for Electric Power Systems. Sulfur hexafluoride (SF<sub>6</sub>) is a highly potent greenhouse gas used in the electric industry for insulation and current interruption in electric transmission and distribution equipment. MEHC and PacifiCorp represent that over a 100-year period, SF<sub>6</sub> is 23,900 times more effective at trapping infrared radiation than an equivalent amount of CO<sub>2</sub>, making it the most highly potent, known greenhouse gas. SF<sub>6</sub> is also a very stable chemical, with an atmospheric lifetime of 3,200 years. As the gas is emitted, it accumulates in the atmosphere in an essentially undegraded state for many centuries. Thus, a relatively small amount of SF<sub>6</sub> can have a significant impact on global climate change. Through its participation in the SF<sub>6</sub> partnership, PacifiCorp will commit to an appropriate SF<sub>6</sub> emissions reduction goal and annually report its estimated SF<sub>6</sub> emissions. MEHC and PacifiCorp represent that this not only reduces greenhouse gas emissions, it saves money and improves grid reliability. Since 1999, EPA's SF<sub>6</sub> partner companies have saved \$2.5 million from the avoided gas loss alone. Use of improved SF<sub>6</sub> equipment and management practices helps protect system reliability and efficiency.
- b) Within six months after close of the transaction, MEHC and PacifiCorp commit that PacifiCorp will establish a global warming working group composed of representative of the regulatory, consumer, educational and environmental communities in the six states that PacifiCorp serves, as well as representatives of PacifiCorp and MEHC. PacifiCorp will work with the global warming working group to identify cost-effective measures to reduce PacifiCorp's greenhouse emissions. PacifiCorp will develop and file with the Commission



its strategy, which MEHC supports, for reducing its greenhouse gas emissions.

43) Working with the affected generation plant joint owners and with regulators to obtain required approvals, MEHC and PacifiCorp commit to install, to the extent cost-effective, the equipment likely to be necessary under future emissions control scenarios at a cost of approximately \$812 million. Concurrent with any application for an air permit, MEHC and PacifiCorp will discuss its plans regarding this commitment with interested parties and solicit input. While additional expenditures may ultimately be required as future emission reduction requirements become better defined, MEHC believes these investments in emission control equipment are reasonable and environmentally beneficial. The execution of an emissions reduction plan for the existing PacifiCorp coal-fueled facilities, combined with the use of reduced-emissions coal technology for new coal-fueled generation, is expected to result in a significant decrease in the emissions rate of PacifiCorp's coal-fueled generation fleet. MEHC represents that the investments to which MEHC is committing are expected to result in a decrease in the SO<sub>2</sub> emissions rates of more than 50%, a decrease in the NO<sub>x</sub> emissions rates of more than 40%, a reduction in the mercury emissions rates of almost 40%, and no increase expected in the CO<sub>2</sub> emissions rate.

44) Energy Efficiency and DSM Management:

- a) MEHC and PacifiCorp commit to conducting a company-defined third-party market potential study of additional DSM and energy efficiency opportunities within PacifiCorp's service areas. The objective of the study will be to identify opportunities not yet identified by the company and, if and where possible, to recommend programs or actions to pursue those opportunities found to be cost-effective. The study will focus on opportunities for deliverable DSM and energy efficiency resources rather than technical potentials that may not be attainable through DSM and energy efficiency efforts. On-site solar and combined heat and power programs may be considered in the study. During the three-month period following the close of the transaction, MEHC and PacifiCorp will consult with DSM advisory groups and other interested parties to define the proper scope of the study. The findings of the study will be reported back to DSM advisory groups, commission staffs, and other interested stakeholders and will be used by the Company in helping to direct ongoing DSM and energy efficiency efforts. The study will be completed within fifteen months after the closing on the transaction, and MEHC shareholders will absorb the first \$1 million of the costs of the study.
- b) PacifiCorp further commits to meeting its portion of the NWPPC's energy efficiency targets for Oregon, Washington and Idaho, as long as the targets can be achieved in a manner deemed cost-effective by the affected states.
- c) In addition, MEHC and PacifiCorp commit that PacifiCorp and MEC will annually collaborate to identify any incremental programs that might be cost-effective for PacifiCorp customers. The Commission will be notified of any additional cost-effective programs that are identified.

- 45) Customer Service Standards: MEHC and PacifiCorp commit to continue customer service guarantees and performance standards as established in each jurisdiction, provided that MEHC and PacifiCorp reserve the right to request modifications of the guarantees and standards after March 31, 2008, and the right to request termination (as well as modification) of one or more guarantees or standards after 2011. The guarantees and standards will not be eliminated or modified without Commission approval.
- 46) Community Involvement and Economic Development: MEHC has significant experience in assisting its communities with economic development efforts. MEHC plans to continue PacifiCorp's existing economic development practices and use MEHC's experience to maximize the effectiveness of these efforts.
- 47) Corporate Presence (All States): MEHC understands that having adequate staffing and representation in each state is not optional. We understand its importance to customers, to regulators and to states. MEHC and PacifiCorp commit to maintaining adequate staffing and presence in each state, consistent with the provision of safe and reliable service and cost-effective operations.

**Supplemental General Commitments**

- 48) PacifiCorp will provide public notice and an invitation to encourage stakeholders to participate in the Integrated Resource Plan (IRP) process. The IRP process will be used to consider Commitments 34, 39, 40, 41, 44, 52 and 53. PacifiCorp will hold IRP meetings at locations or using communications technologies that encourage broad participation.
- 49) **Reporting on Status of Commitments:** By June 1, 2007 and each June 1 thereafter through June 1, 2011, PacifiCorp will file a report with the Commission regarding the implementation of the Commitments. The report will, at a minimum, provide a description of the performance of each of the commitments that have quantifiable results. If any of the commitments is not being met, relative to the specific terms of the commitment, the report shall provide proposed corrective measures and target dates for completion of such measures. PacifiCorp will make publicly-available at the Commission non-confidential portions of the report.
- 50) **Pension Funding Policy:** PacifiCorp will maintain its current pension funding policy, as described in the 2005 Actuarial Report, for a period of two years following the close of the transaction.
- 51) [Intentionally Left Blank.]
- 52) Upon closing, MEHC and PacifiCorp commit to immediately evaluate increasing the generation capacity of the Blundell geothermal facility by the amount determined to be cost-

effective. Such evaluation shall be summarized in a report and filed with the Commission concurrent with the filing of PacifiCorp's next IRP. This incremental amount is expected to be at least 11 MW and may be as much as 100 MW. All cost effective increases in Blundell capacity, completed before January 1, 2015, should be counted toward satisfaction of PacifiCorp's 1400 MW renewable energy goal, in an amount equal to the capacity of geothermal energy actually added at the plant.

- 53) MEHC or PacifiCorp commit to commence as soon as practical after close of the transaction a system impact study to examine the feasibility of constructing transmission facilities from the Jim Bridger generating facilities to Miners Substation in Wyoming. Upon receipt of the results of the system impact study, MEHC or PacifiCorp will review and discuss with stakeholders the desirability and economic feasibility of performing a subsequent facilities study for the Bridger to Miners transmission project.

**Utah-Specific Commitments – (reference Gale Exhibit UP&L (BEG-1)**

- U 1. PacifiCorp will report call-handling results during wide-scale outages against average answer speeds, hold times and busy indications.
- U 2. MEHC and PacifiCorp will provide notification of and file for Commission approval of the divestiture, spin-off, or sale of any integral PacifiCorp function. This condition does not limit any jurisdiction the Commission may have.
- U 3. PacifiCorp or MEHC will notify the Commission in writing prior to implementation of plans by PacifiCorp or MEHC: (1) to form an affiliate for the purpose of transacting business with PacifiCorp's regulated operations; (2) to commence new business transactions between an existing affiliate and PacifiCorp; or (3) to dissolve an affiliate which has transacted substantial business with PacifiCorp.
- U 4. The premium paid by MEHC for PacifiCorp (Acquisition Premium) will be excluded from the utility accounts of PacifiCorp. Further, MEHC and PacifiCorp commit that they will not propose to recover the Acquisition Premium in PacifiCorp's results of operations, unless this commitment is modified by the Commission, pursuant to a filing under Utah Code Ann. § 54-7-13, to allow for the recovery of the Acquisition Premium. MEHC and PacifiCorp will not request or support a motion to modify this commitment to allow recovery of the Acquisition Premium unless a party in a proceeding before the Commission proposes an adjustment to PacifiCorp's revenue requirement that MEHC and PacifiCorp assert violates the regulatory theory of the matching principle. If PacifiCorp seeks recovery of the Acquisition Premium, then other Parties are free to oppose such recovery, including the validity of the matching principle.

**Utah-Specific Commitments – (reference Abel Exhibit UP&L (GEA-1)**

- U 5. PacifiCorp and MEHC commit to maintaining sufficient operations and front line staffing to provide safe, adequate and reliable service in recognition of the level of load and customer growth in Utah.
- U 6. PacifiCorp and MEHC commit to increasing the number of corporate and senior management positions in Utah to better reflect the relative size of Utah's retail load compared to the retail loads of the other states. Positions to be examined will include, but not be limited to, engineering, purchasing, information technology, land rights, legal, commercial transactions and asset management. By September 1, 2007, MEHC and PacifiCorp will file a plan with the Commission that explicitly sets forth: (1) senior management positions (and associated corporate personnel positions identified by those senior managers) that have been identified for location in Utah; (2) the timeframe for implementing different stages of the plan; and (3) an economic analysis supporting the cost effectiveness of the plan. MEHC will promptly implement the plan pursuant to the timeframe.
- U 7. PacifiCorp and MEHC will authorize senior management personnel located in Utah to make decisions on behalf of PacifiCorp pertaining to (1) local Utah retail customer service issues related to tariff interpretation, line extensions, service additions, DSM program implementation and (2) customer service matters related to adequate investment in and maintenance of the Utah sub-transmission and distribution network and outage response. For resource transactions in Utah related to special retail contracts and QF contracts, PacifiCorp and MEHC will authorize Utah-based personnel to negotiate contract terms consistent with system-wide prudent practices. Such decisions will be subject to normal and prompt corporate approval procedures, senior executive approval and board approval, as appropriate. MEHC and PacifiCorp will include a description of the implementation of this commitment in the filing required in Commitment U 6.
- U 8. The Chairman of the Board of PacifiCorp and the President of PacifiCorp will meet at least annually with the Utah Public Service Commission to discuss (1) corporate presence status, plans and commitments, and (2) customer service issues. Senior executives of MEHC and PacifiCorp will also meet regularly with the Division of Public Utilities and the Committee of Consumer Services to discuss regulatory and customer service issues, including the issues discussed at the meetings among the Chairman of the Board of PacifiCorp, the President of PacifiCorp and the Commission.

**Supplemental Utah-Specific Commitments**

- U 9. PacifiCorp will provide semi annual reports to the Commission and members of the Service

Quality Review Group describing PacifiCorp's performance in meeting service standard commitments, including both performance standards and customer guarantees.

U 10. PacifiCorp will provide to the Division of Public Utilities and the Committee of Consumer Services, on an informational basis, credit rating agency news releases and final reports regarding PacifiCorp when such reports are known to PacifiCorp and are available to the public.

U 11. MEHC commits that immediately following the closing of the transaction, the acquiring company (PPW Holdings LLC) will have no debt in its capital structure. MEHC and PacifiCorp commit to provide the Commission 30 days prior notice if PPW Holdings LLC ever intends to issue debt. MEHC and PacifiCorp acknowledge that if PPW Holdings LLC does issue debt, the Commission has the authority to consider whether additional ring-fencing provisions may be appropriate.

U 12. PacifiCorp commits to apply to the Commission for approval of security issuances pursuant to Utah Code Annotated 54-4-31 and to not seek exemption from this requirement for twelve months following the closing of this transaction.

U 13. PacifiCorp commits to provide written notice to the Commission pursuant Utah Code Annotated 54-4-27 before any dividends are paid by PacifiCorp.

U 14. PacifiCorp commits to continue to provide the Division of Public Utilities and the Committee of Consumer Services at the same time as the Commission with the filings, data and documents made with or provided to the Commission pursuant to Commitments 3, 4, 8, 11(c), 13, 18, 49, U 2, U 3, U 9, U 11, U 12, U 13, U 20 and U 21 at the same time as filed with the Commission. PacifiCorp will make publicly-available at the Commission non-confidential portions of the report.

U 15. MEHC and PacifiCorp commit to form within 60 days of close of the transaction an IGCC Working Group, sponsored by PacifiCorp to discuss various policy and technology issues associated with IGCC, carbon capture, and sequestration. Working Group members would include representatives from major stakeholder and regulatory groups, PacifiCorp and MEHC officials, and others as appropriate. Some issues and challenges to development that would be considered by the Working Group would include:

- the status of development of carbon sequestration policy and methods, including requirements for monitoring and verifying sequestration options;
- information sharing, so that, to the extent possible, all parties develop a shared understanding of expected IGCC technology benefits, expected capital and O&M costs, and potential risks;

- information sharing to understand such terms and associated requirements with concepts such as “carbon capture ready” and “permanent sequestration”;
- issues related to technology of and permitting for IGCC air emissions, waste disposal, water use and site usage;
- commercial terms and conditions associated with IGCC plant development, construction, and maintenance; and
- implications of SB 26 on development of IGCC plants given the implications of long development lead times, development costs, project risk, and cost uncertainty.

The IGCC Working Group would meet periodically to discuss the above issues and identify possible solutions, and to stay abreast of the evolving technology and commercial environment.

U 16.MEHC and PacifiCorp commit to the following,:

- a) MEHC and PacifiCorp commit to study the economics and viability of an IGCC option and will present the results of this study as a resource alternative to inform the resource selection and RFP process under consideration in Docket 05-035-47. PacifiCorp will also file the results of this study and the draft RFP with the Commission pursuant to the provisions of SB 26. PacifiCorp will suggest procedural schedules that will facilitate this commitment. As soon as practical, but not later than three months after the closing of the transaction, PacifiCorp will provide to the parties estimated cost and timeline ranges for completion of an IGCC project, as well as potential resource alternatives if an IGCC design is not reasonably achievable in time to economically meet the resource need presently identified in 2012 from a customer and shareholder perspective.
- b) PacifiCorp will perform initial conceptual and siting studies, general feasibility studies, and, where appropriate, other more detailed studies and engineering work, for an IGCC plant for the 2014 resource need identified in the October 2005 IRP Update. The studies will include an evaluation of the expected cost and performance impacts of constructing a plant to be carbon capture ready. These studies will be performed in parallel with similar studies to evaluate other generation technologies. Such studies will be completed within the next IRP cycle.
- c) PacifiCorp will include a utility self-build option of an IGCC unit in any RFPs for the 2014 and later non-renewable resource needs, whether or not the IGCC option is found to be PacifiCorp’s preferred cost-based alternative, and present PacifiCorp’s evaluation of the IGCC option against another self-build alternative(s) as part of the Utah SB 26 process. This will include an evaluation of the cost and performance impacts of the IGCC resource being constructed to be carbon capture ready.

U 17.PacifiCorp agrees to include the following items in the 2006 IRP:

- a) a wind penetration study to reappraise wind integration costs and cost-effective renewable energy levels; and

- b) an assessment of transmission options for PacifiCorp's system identified in the RMAATS scenario 1 related to facilitating additional generation at Jim Bridger and, on equal footing, new cost-effective wind resources.

U 18. PacifiCorp will issue a Utah-specific RFP for the Blue Sky programs. The purpose of the RFP will be to better geographically balance Blue Sky block product demand and supply. Subject to any necessary counterparty confidentiality releases, PacifiCorp will provide information on the identity, vintage and location of generation associated with its annual procurement for Blue Sky to the Commission and other interested parties, upon request. PacifiCorp will meet annually with interested parties to discuss state-specific program opportunities while maintaining attractive prices to customers.

U 19. For the purpose of rate cases and formal regulatory proceedings, PacifiCorp will provide parties to the stipulation filed in the acquisition docket who are intervenors in the rate case or formal regulatory proceeding with access, subject to Commitment 32 and the discovery rules of the Commission, to its financial books and records, including documents, data, and records of transactions between PacifiCorp and its affiliated interests which are relevant to issues in the docket.

U 20. At the time of the closing of the transaction, MEHC will file with the Commission a letter from Berkshire Hathaway committing to be bound by Commitments 4 and 5 and any other commitments applicable to affiliates of MEHC.

U 21. MEHC and PacifiCorp will request Commission approval, for cost allocation and affiliate transaction purposes, of the IASA and any amendments filed pursuant to Commitment 13.

U 22. Applicants acknowledge that the Commitments are being made by MEHC and PacifiCorp and are binding only upon them (and their affiliates where noted). Applicants are not requesting in this proceeding a determination of the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in the Commitments, and the Parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate.

U 23. PacifiCorp intends to file its next Utah general rate case, including its direct revenue requirement testimony, by March 1, 2006. PacifiCorp will file its class cost of service, rate spread and rate design studies and supporting direct testimony (together referred to as "Cost of Service Filing") by March 15, 2006. For purposes of that rate case proceeding only, PacifiCorp's March 1, 2006 filing will constitute the date when "the utility's schedules are filed" that starts the 240 day time limit ("Rate Effective Date") wherein the Commission

must issue its order granting or revising a revenue increase under Utah Code section 54-7-12(3)(b)(i). That March 1, 2006 testimony will include PacifiCorp's best estimates of the revenue requirement impact of the transaction, including revenue requirement adjustments that incorporate Commitments 37 and 38 to the extent that those commitments are applicable to the rate case test period. PacifiCorp will request that the Commission hold a test period hearing within 90 days after the March 1, 2006 filing. In addition, within fifteen days after closing, PacifiCorp will file supplemental testimony by an MEHC witness to discuss and update PacifiCorp's revenue requirement in that case and to incorporate any additional adjustments that are appropriate as a result of the transaction. In order to provide parties with time to address any additional information provided in the MEHC testimony, PacifiCorp will extend the Rate Effective Date to December 11, 2006. If the transaction closes after April 30, 2006, or PacifiCorp fails to file supplemental testimony within fifteen days of closing, PacifiCorp acknowledges that the Rate Effective Date may be further extended by a reasonable period of time, as determined by agreement of the parties or by the Commission. PacifiCorp hereby waives any claim or argument that an additional extension of the Rate Effective Date would violate the provisions of Utah Code section 54-7-12 (3)(b)(i).

PacifiCorp also commits that any request for Commission approval of a PCAM mechanism (or any net power cost adjustment mechanism) will be filed at least three months in advance of a general rate case filing and that intervenor testimony deadlines will be the same as those established in the general rate case.

- U 24. PacifiCorp commits to work with the Utah DSM Advisory Group to propose a tariff amendment to maximize the cost-effective electricity savings of Utah ratepayer contributions to federally funded weatherization programs. As part of this analysis, PacifiCorp agrees to re-examine its current Company policy of matching federal contributions at 50%.
- U 25. MEHC and PacifiCorp commit up to a total contribution level for Utah low –income bill payment assistance in the amount of \$400,000 annually, for a five- year period beginning July 1, 2006. The contributions may be comprised of contributions from corporate, employee, other sources, and customer donations. The corporate contribution will be recorded in non-utility accounts. Before the end of the five-year period, MEHC and PacifiCorp commit to work with low income advocates and customer groups to evaluate additional contributions.
- U 26. MEHC commits to provide shareholder funding to hire a consultant to study and design for possible implementation of an arrearage management project for low-income customers that could be made applicable to Utah and other states that PacifiCorp serves. PacifiCorp will provide a resource for facilitation of a working group to oversee the project. The study shall commence no later than 180 days after close of the transaction and be completed, through the issuance of a formal report to the Commission, no later than 365 days after close of the



transaction. MEHC recognizes that such a program may have to be tailored to best fit the unique low-income environment of each individual state. The project will be developed by PacifiCorp in conjunction with the relevant regulatory and governmental agencies, low-income advocates and other interested parties in each state that is interested in participating. The goals of the project will include reducing service terminations, reducing referral of delinquent customers to third party collection agencies, reducing collection litigation and reducing arrearages and increasing voluntary customer payments of arrearages. The costs of this study will be at least \$66,000 on a total company basis paid for by shareholders. If less than six states participate, the amount of the shareholder funds will be reduced proportionally.

U 27.[Intentionally Left Blank]

U 28.MEHC and PacifiCorp will supplement the report filed with the Commission, the Division and the Committee, pursuant to Commitment 49, by including information regarding the implementation of each of the Utah-Specific Commitments, U 1 through U 27 and U 29 through U 46.

U 29. Within three months of closing of the transaction, MEHC commits to obtain a non-consolidation opinion that demonstrates that the ring fencing around PPW Holdings LLC is sufficient to prevent PPW Holdings LLC and PacifiCorp from being pulled into an MEHC bankruptcy. MEHC commits to promptly file such opinion with the Commission. If the ring-fencing provisions of this agreement are insufficient to obtain a non-consolidation opinion, MEHC agrees to promptly undertake the following actions:

- a) Notify the Commission of this inability to obtain a non-consolidation opinion.
- b) Propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent PPW Holdings LLC from being pulled into an MEHC bankruptcy.
- c) Obtain a non-consolidation opinion.

U 30. MEHC and PacifiCorp commit that PacifiCorp will not make any dividends to PPW Holdings LLC or MEHC if PacifiCorp's unsecured debt rating is BBB- or lower by S & P or Fitch (or Baa3 or lower by Moody's), as indicated by two of the three rating agencies.

U 31. To the extent available, MEHC and PacifiCorp commit to have 400 MW of cost effective new renewable resources in PacifiCorp's generation portfolio by December 31, 2007. The 400 MW will include Wolverine Creek (64.5 MW) and Cove Fort (42 MW). MEHC and PacifiCorp will analyze the projects consistent with applicable regulatory rules and orders in effect at the time and as informed by the IRP. Resource identification shall be performed

using an RFP procedure. If PacifiCorp fails to meet this 400 MW target it will disclose to signatories (excluding any bidders and affiliates of bidders) the cost-effectiveness analysis it used when rejecting the lowest cost projects. PacifiCorp shall file a report, on the status of meeting this target, with the Commission no later than six months after close of the transaction. In evaluating acquisition of renewable energy, all other things being equal, MEHC and PacifiCorp will not prefer ownership of facilities.

- U 32. MEHC and PacifiCorp commit that they will interpret Utah Code Annotated Section 54-4-28 to require Commission approval of any transaction which results in a merger of PacifiCorp with another public utility, without regard to whether that public utility provides service in Utah.
- U 33. MEHC and PacifiCorp will support cost effective and safe community renewable energy projects in Utah using PURPA contracts implemented under avoided cost tariffs approved by the Commission. If PURPA is no longer in effect in Utah before an alternate market for community renewable energy is developed, PacifiCorp will work with Utah stakeholders and the Commission to develop replacement procedures for new contracts. For the purpose of this Commitment, community renewable energy projects are defined as: Locally owned renewable energy projects. Normally 1-10 MW standard contract PURPA projects and industrial co-gen type projects between 10 MW and 99 MW that use negotiated PURPA contracts. Projects can be: 1. Private ownership (example – several farmers in a wind project); 2. Municipal ownership (irrigation district small-hydro or local school; wind turbine); or 3. Combined municipal/private ownership projects (local community partnered with landowners).
- U 34. To the extent consistent with the interests of PacifiCorp's retail customers, MEHC and PacifiCorp will support through action and policy the emerging community renewable energy market in Utah. PacifiCorp will also consult with community renewable energy representatives if PacifiCorp is contemplating changes to system operations that would adversely affect community renewable energy projects.
- U 35. Water Rights agreements will be abided by MEHC and PacifiCorp.
- U 36. MEHC and PacifiCorp will provide the Commission access to corporate minutes, including Board of Director's minutes and all committee minutes, along with any related source documents that are relevant to the business and risk analysis of PacifiCorp. PacifiCorp and the Division of Public Utilities will establish an agreeable procedure to review these confidential documents in Portland, Oregon or Salt Lake City, Utah.
- U 37. MEHC and PacifiCorp will provide the Commission access to operational, internal and risk audit reports and documentation. PacifiCorp and the Division of Public Utilities will

establish an agreeable procedure to review these confidential documents and the timeline to provide an annual listing of such audits.

- U 38. A near-final draft agreement for PPW Holdings LLC that contains the ring-fencing provisions of Commitment 11 was sent to the Division of Public Utilities before January 15, 2006. The final signed agreement will be filed with the Commission within 30 days after the close of the transaction.
- U 39. Within 30 days of the close of the transaction, PacifiCorp will provide the Commission with a written list of changes that were made to employee benefit plans between the announcement of the transaction and the close of the transaction. PacifiCorp and MEHC will provide 30 days' notice to the Commission prior to merging PacifiCorp's pension with the pension plan of another MEHC business.
- U 40. As part of the DSM study in Commitment 44, PacifiCorp will also consider the market potential associated with irrigation and load curtailment programs in Utah. The study will compare the cost effectiveness of DSM resources with comparable supply side resources.
- U 41. MEHC and PacifiCorp commit that PacifiCorp will not directly own equity shares of either Berkshire Hathaway or MEHC, if MEHC were ever to become publicly traded.
- U 42. MEHC commits to provide 30 days' notice to the Commission if it intends to create a corporate entity between PPW Holdings LLC and MEHC. MEHC further states that it has no current intention to create such a corporate entity.
- U 43. With respect to any proceeding, including but not limited to any rate case, tariff filing, pass-through application, show cause, complaint or other proceeding, wherein PacifiCorp's Utah retail rates are based, in whole or in part, upon PacifiCorp's wholesale power transactions, PacifiCorp and MEHC acknowledge that the Commission has jurisdiction to determine the prudence of PacifiCorp's wholesale power transactions and whether PacifiCorp's retail rates are just and reasonable. To the extent PacifiCorp contends the Commission is required to include the costs of the wholesale power transactions in Utah retail rates, PacifiCorp and MEHC commit that PacifiCorp will raise and litigate such issues before the Commission. To the extent decisions regarding such issues are within the areas reserved to the exclusive jurisdiction of the Commission, PacifiCorp and MEHC agree that any challenge to the Commission order will be in the form of an appeal of that order.

In the event PacifiCorp anticipates a court challenge to a Commission order that would trigger the provisions of Commitment U 43, PacifiCorp will (1) seek a rehearing of such Commission order; and (2) identify in writing in its petition for rehearing those contested

issues which it believes are and are not within the areas reserved to the exclusive jurisdiction of the Commission.

U 44. MEHC and PacifiCorp support making wind generation in Utah an important part of PacifiCorp's renewable resource portfolio to the extent that it is cost-effective to do so. MEHC and PacifiCorp will give appropriate consideration to Utah wind generation in performing Commitments 40, 53, U 17 and U 31.

U 45. a) MEHC and PacifiCorp commit to complete as soon as practical after close of the transaction, a system impact study and commence a facilities study to examine the feasibility of construction of transmission facilities from the Jim Bridger generating facilities to Ben Lomond.

b) In addition to analyzing the system impacts of the Jim Bridger to Ben Lomond transmission facilities, MEHC and PacifiCorp will request that a system impact study also analyze the system impacts of combining the Bridger to Ben Lomond project with the Jim Bridger to Miners substation project addressed in Commitment 53.

c) Upon receipt of the results of the system impact studies provided for in Commitment 53 and this Commitment U 45, MEHC or PacifiCorp will review and discuss with stakeholders the desirability and economic feasibility of performing a subsequent facilities study for the Bridger to Miners transmission project.

U 46. a) MEHC and PacifiCorp commit to reduce the annual non-fuel costs to PacifiCorp customers of the West Valley lease by \$0.417 million per month (total company) or an expected \$3.7 million in 2006 (assuming a March 31, 2006 transaction closing), \$5 million in 2007 and \$2.1 million in 2008 (the lease terminates May 31, 2008), which shall be the amounts of the total company rate credit. Beginning with the first month after the close of the transaction to purchase PacifiCorp, Utah's share of the monthly rate credit will be deferred for the benefit of customers and accrue interest at PacifiCorp's authorized rate of return.

b) This commitment is offsetable, on a prospective basis, to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, that such West Valley non-fuel cost savings:

- i) are reflected in PacifiCorp's rates; and,
- ii) there are no offsetting actions or agreements by MEHC or PacifiCorp for which value is obtained by PPM or an affiliated company, which, directly or indirectly, increases the costs PacifiCorp would otherwise incur.

**Stipulation Provisions**

15. The following provisions are applicable only to the Parties:

- a. Through December 31, 2011, MEHC and PacifiCorp will both confer with the Signatories and provide drafts in a timely manner prior to introducing legislation in the Utah Legislature that would impact Utah utility regulation, including Utah city franchise authority.
- b. MEHC has no current intention to acquire other electrical corporations as defined by Utah Code Annotated § 54-2-1 (7), or gas corporations, as defined by Utah Code Annotated § 54-2-1(9). If that intention should ever change, MEHC will confer with the Signatories before public announcement of such an acquisition, subject to agreements regarding confidentiality.
- c. Within 90 days of the close of the Transaction, MEHC and PacifiCorp will begin working with the Division of Public Utilities and other interested parties, to evaluate and, if mutually agreed to be appropriate, file with the Commission service quality standards related to industrial customers, with a focus on high tech companies. MEHC, PacifiCorp, the Division of Public Utilities and any other interested party, will report back to the Commission on the conclusions and recommendations reached no later than February 1, 2007. MEHC and PacifiCorp acknowledge that modifications to existing customer service guarantees and performance standards may result from this process and nothing in Commitments 1 or 45 will preclude these from being filed if mutually agreed-upon by the Parties.
- d. Senior executives of MEHC and PacifiCorp will make themselves available upon request to the Signatories to discuss regulatory, customer service, and energy policy issues.
- e. MEHC and PacifiCorp agree that the provisions of this paragraph are subject to Commitment 33, regarding enforcement and dispute resolution.

16. The Parties agree to support recovery, over a reasonable period, of prudent costs associated with the IGCC studies in Commitment U 16, consistent with Utah law and regulatory practice.

17. Commitment 10 addresses waiver of certain defenses under *Ohio Power Co. v. FERC* by MEHC and Berkshire Hathaway until PUHCA repeal is effective on February 8, 2006. Since no case law has yet developed regarding the same subject matter after the repeal of PUHCA, the parties have not addressed the issue beyond February 8, 2006. The parties acknowledge that the Commission should monitor federal developments on this subject matter and may need to address the same in the future.

18. Commitment 14(f) is clarified to reflect the agreement that allocation methodologies will be submitted for approval if required by law, rule or “required by order of the Commission.

19. Stipulation Paragraph 17 is clarified to reflect the agreement of PacifiCorp and MEHC that, if there is an issue MEHC and PacifiCorp believe the Commission needs to be aware of or that

the Commission needs to address, including any significant federal developments regarding the pricing of affiliate transactions after the close of the transaction, MEHC and PacifiCorp will affirmatively initiate a dialogue with the Commission on matters relating to PUHCA.

20. The Parties request that the Commission include the following ordering paragraph in its order approving this Amendment to Stipulation and Modifying Commitments:

Within 30 days after the transaction closes PacifiCorp is required to file a petition for an accounting order to establish its authority to create deferral accounts, as necessary to make effective the terms of commitment number U 46, set forth in Appendix A to the Stipulation.

21. The Parties request that the Commission include the following ordering paragraph in its order approving this Amendment to Stipulation and Modifying Commitments:

To help in finalizing the documentation for this case, the Applicants shall file with the Commission, at the time of the closing of the transaction, a narrative and an organizational chart showing the relationship among PacifiCorp, MEHC, Berkshire Hathaway and their subsidiary and affiliated business entities. This documentation should clearly show the owners of PacifiCorp and the percentages held, up to the level of the ultimate parent, Berkshire Hathaway.